

Satori Apartments Tax Increment Financing Plan

Draft for Public Review:
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I. Introduction

The Satori Apartments Tax Increment Financing (TIF) Plan has been prepared to help finance the construction of a 112-unit six-story apartment building. JADT Development Group, LLC, a Minnesota limited liability company (the “Developer”), proposes to develop 89 units of market-rate and 23 units of affordable apartments and 3,000 square feet of commercial/retail space at the intersection of West Broadway and Bryant Avenue North.

The TIF Plan establishes a new housing TIF district to finance various public redevelopment costs and includes a budget for the use of tax increment revenue generated by the new TIF district.

II. TIF District Boundary

The Satori Apartments TIF District (the “TIF District”) will consist of the nine parcels listed below.

<u>PID</u>	<u>Property Address</u>
16-029-24-14-0205	817 ½ West Broadway
16-029-24-14-0204	819 West Broadway
16-029-24-14-0086	821 West Broadway
16-029-24-14-0087	825 West Broadway
16-029-24-41-0079	1828 Bryant Avenue North
16-029-24-41-0078	1830 Bryant Avenue North
16-029-24-41-0077	1832 Bryant Avenue North
16-029-24-41-0151	1836 Bryant Avenue North
16-029-24-41-0150	1838 Bryant Avenue North

These properties are located within the Near North neighborhood of Minneapolis.

A TIF District Boundary Map is attached as Exhibit 1.

III. Type of TIF District

The TIF District is a “housing district” as defined in the Minnesota Tax Increment Financing Act (the “TIF Act”, M.S. Sections 469.174-469.1799).

Pursuant to M.S. Section 469.174, Subd. 11, a "housing district" means a type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts and that satisfies the requirements of section 469.1761. Housing project means a project, or a portion of a project, that meets all of the qualifications of a housing district under this subdivision, whether or not actually established as a housing district.

In order for a TIF district to qualify as a housing district, the development must comply with certain income restrictions. There is also a limit on the amount of space that can be occupied by non-residential uses.

In particular, for a residential rental property, the property must satisfy the income requirements for a qualified residential rental project as defined in Section 142(d) of the Internal Revenue Code. These income requirements specify that at least one of the following two income tests must be met:

- 1) 20@50 Test – Twenty percent or more of the residential units are occupied by individuals or families whose income is 50 percent or less of the area median gross income (AMI).
- 2) 40@60 Test – Forty percent or more of the residential units are occupied by individuals or families whose income is 60 percent or less of AMI.

The Satori Apartments project meets the 20@50 test as 21% of the apartment units will be affordable at 50 percent AMI.

Additionally, in housing districts, no more than 20 percent of the square footage of any building that receives tax increment financing assistance may consist of commercial, retail, or other non-residential uses. The building will contain 3,000 square feet for commercial/retail space. At approximately 3 percent of the total building space, this is well within the 20 percent limit established by statute.

IV. Maximum Duration of the TIF District

The maximum duration of the TIF District is that which is prescribed by the TIF Act for a housing district. At the time this document was prepared, the TIF Act allowed for a maximum of 26 years of tax increment collection from a housing district.

V. Statement of Objectives

The City of Minneapolis (the “City”) seeks to achieve the following objectives through the establishment of the TIF District:

- Increase the number of housing units and choices within the City.
- Provide housing units affordable to persons or families of low and moderate income.
- Support strong and diverse neighborhoods where people choose to live.
- Reduce or eliminate blight.
- Promote sustainable development.
- Increase the property tax base.

VI. Proposed Development Activity

A. Description of Proposed Development Activity

Satori Apartments will be a six-story apartment building with 112-units of rental housing at the intersection of West Broadway and Bryant Avenue North. The six-story building will contain 89 units of market-rate and 23 units of affordable apartments to households at or

below 50% of area median income. The development will include 59 one-bedroom and 53 two-bedroom apartments, of which 12 one-bedroom and 11 two-bedroom units will be affordable at or below 50% of AMI. The ground floor will include 3,000 square feet of commercial/retail space.

The project amenities include a community room, exercise room, indoor and outdoor gathering spaces and on-site property management.

See Exhibit 2 for a site plan and renderings of the planned development.

B. Property That May Be Acquired

The City does not intend to acquire any property within the TIF District.

C. Other Anticipated Development Activity

No other development activity is currently anticipated within the TIF District.

VII. Description of Financing

The amount of tax increment financing identified in this TIF Plan is based on the best estimates and projections available at the time the plan was prepared. Slight changes can be expected. However, if significant changes occur that affect the structure or financial feasibility of the project or increase the project costs to be paid with tax increment revenue beyond the amounts listed below, then a formal modification to this plan may be necessary. In this case, the modification would require the same review and approval process that was required with the original TIF Plan.

A. Costs to be Paid With Tax Increment Revenue

The total development cost of the project is currently estimated to be approximately \$. The maximum amount of TIF-eligible project costs that can be paid with tax increment revenue generated by the TIF District is shown below.

Sources

Tax Increment Revenue	<u>\$ 6,528,000</u>
Total Sources	\$ 6,528,000

Uses

Construction of Affordable Housing	\$3,876,400	59.4%
Pay-As-You-Go Note Interest	1,998,800	30.6%
City Administrative Costs	<u>652,800</u>	<u>10.0%</u>
Total Uses	\$6,528,000	100.0%

The City reserves the right to administratively adjust the amount of any of the line items listed above, or to incorporate additional eligible uses, provided that the Total Uses amount is not increased.

B. Construction of Affordable Housing Outside the TIF District

Pursuant to M.S. Section 469.1763, Subd. 2(b), the expenditure of housing district TIF for a housing project, as defined in M.S. Section 469.174, Subd. 11, is deemed to be an in-district activity for pooling purposes. Accordingly, tax increment expenditures are not restricted to the TIF district or “project area” (as that term is defined in M.S. Section 469.174), but may be spent on housing projects meeting the qualifications of a housing district at M.S. Section 469.174, Subd. 11 anywhere within the City of Minneapolis.

C. Maximum Amount of Bonds to be Issued

The City does not currently anticipate issuing any tax increment bonds for the Satori Apartments Project. It is anticipated that the City will issue the developer a pay-as-you-go TIF revenue note in an amount not to exceed \$3,876,400. The City will semi-annually distribute net tax increment to the developer under the terms of the TIF note. The developer will use this tax increment revenue, along with net operating income from the housing development, to pay debt service on private debt (secured by the developer) that is used to finance the construction of the project.

As provided in M.S. Section 469.178, Subd. 7, the City may advance one or more interfund loans between the tax increment (“TI”) special revenue fund for the TIF District and the other TI special revenue funds of the City. Each such interfund loan to or from the TIF District shall be in the principal amount needed to offset a negative cash balance. The interest rate charged on each such interfund loan to or from the TIF District shall be equal to the average interest rate that revenue in the City’s TI special revenue funds earn at the time the loan is made, and such interest rate shall vary over time. In no event will the interest rate charged on any such interfund loan exceed the greater of the rates specified under Minnesota Statutes, Section 270C.40 or 549.09, as such statutory rates are adjusted from time to time. The maximum term of each such interfund loan to the TIF District shall be the earlier of 1) the date that all principal and accrued interest on the loan is repaid, and 2) the date the TIF District is decertified. The maximum term of each such interfund loan from the TIF District to another TIF district shall be the earlier of 1) the date that all principal and accrued interest on the loan is repaid, and 2) the date the other TIF district is decertified.

D. Original Net Tax Capacity

The TIF District is projected to have an original estimated market value (EMV) of \$1,043,500, and an original net tax capacity (ONTC) of \$13,044.

E. Original Tax Capacity Rate

The original tax capacity rate for the TIF District will be the total local tax capacity rate for all applicable taxing jurisdictions for taxes payable in 2021, which is 118.413 percent.

For tax increment projection purposes, a total tax capacity rate of 115 percent was assumed.

F. Fiscal Disparities Election

For the purpose of calculating tax increment, the City of Minneapolis elects that the fiscal disparity contribution that is required for all commercial and industrial property located within the TIF District will be made from “outside” the TIF District (M.S. Section 469.177, Subd. 3, Paragraph (a)).

G. Projected Captured Net Tax Capacity and Tax Increment

Upon project completion, it is projected that the total EMV of the property in the TIF District will be \$20,815,000 and the total net tax capacity (NTC) will be \$240,788. The captured NTC of the TIF District is therefore projected to be \$227,744.

The Assumptions Schedule (Exhibit 3) shows the various assumptions used in projecting net tax increment from the TIF District.

The Projected Tax Increment Schedule (Exhibit 4) shows how tax increment was projected over the life of the TIF district.

VIII. Estimated Impact on Other Taxing Jurisdictions

It is the position of the City of Minneapolis that the development of the property included in this TIF District would not occur as proposed without tax increment financing assistance.

Nevertheless, it has been assumed in the analysis below that the proposed development would occur without TIF assistance. Under this assumption the projected captured net tax capacity at project completion would be immediately available to the applicable taxing jurisdictions, and the resulting property taxes would be as follows:

<u>Taxing Jurisdiction</u>	<u>Pay 2021 Tax Capacity Rate</u>	<u>Property Taxes Resulting From \$227,744 in Captured Net Tax Capacity</u>
City of Minneapolis	54.880%	\$124,986
Hennepin County	38.143%	86,868
Mpls. Special School Dist. No. 1	18.778%	42,766
Other	<u>6.612%</u>	<u>15,058</u>
Total	118.413%	\$269,679

Fiscal and Economic Implications of the TIF District

The projected amount of tax increment revenue that would be distributed to the City over the maximum duration of the TIF District is \$6,527,455.

The probable impact of the TIF District on City-provided services such as police and fire protection, public infrastructure, and borrowing costs attributable to the TIF District is projected to be very minor due to the small size of the project in comparison to the size of the City budget

and tax base.

The projected amount of tax increment revenue generated over the life of the TIF District that would be attributable to the School District, assuming the School District's tax rate remains at approximately 15.9 percent of the total tax rate, is \$1,037,865.

The projected amount of tax increment revenue generated over the life of the TIF District that would be attributable to the County, assuming the County's tax rate remains at approximately 32.2 percent of the total tax rate, is \$2,101,841.

IX. Basis for Finding That Development Would Not Occur Without TIF Assistance

M.S. Section 469.175, Subd. 3 provides that, prior to approval of a TIF plan, the City Council must find that the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future, and therefore the use of TIF is deemed necessary.

After thorough financial analysis, it is the position of the City of Minneapolis that the proposed private development to be constructed in the Satori Apartments TIF District would not occur within the reasonably foreseeable future without public financial assistance. This analysis indicates that projected development costs exceed available funding sources, and that a significant upfront funding gap exists. This funding gap is in large part due to the inclusion of the affordable rental housing units in the project. The amount of TIF assistance that has been requested is reasonable when compared to the overall cost of developing the project, and TIF assistance is therefore deemed necessary and appropriate to close this funding gap.

Satori Apartments TIF District Boundary Map

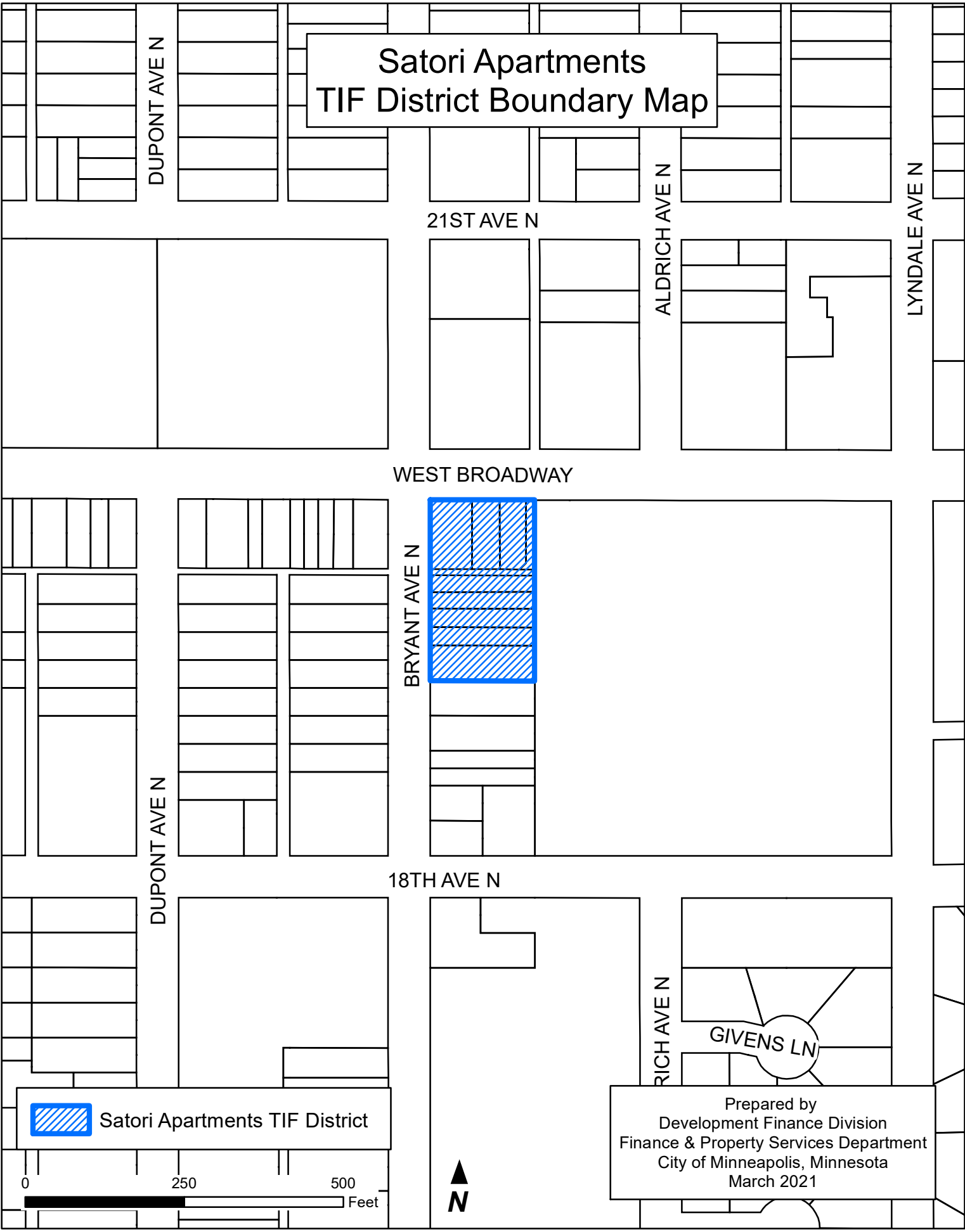
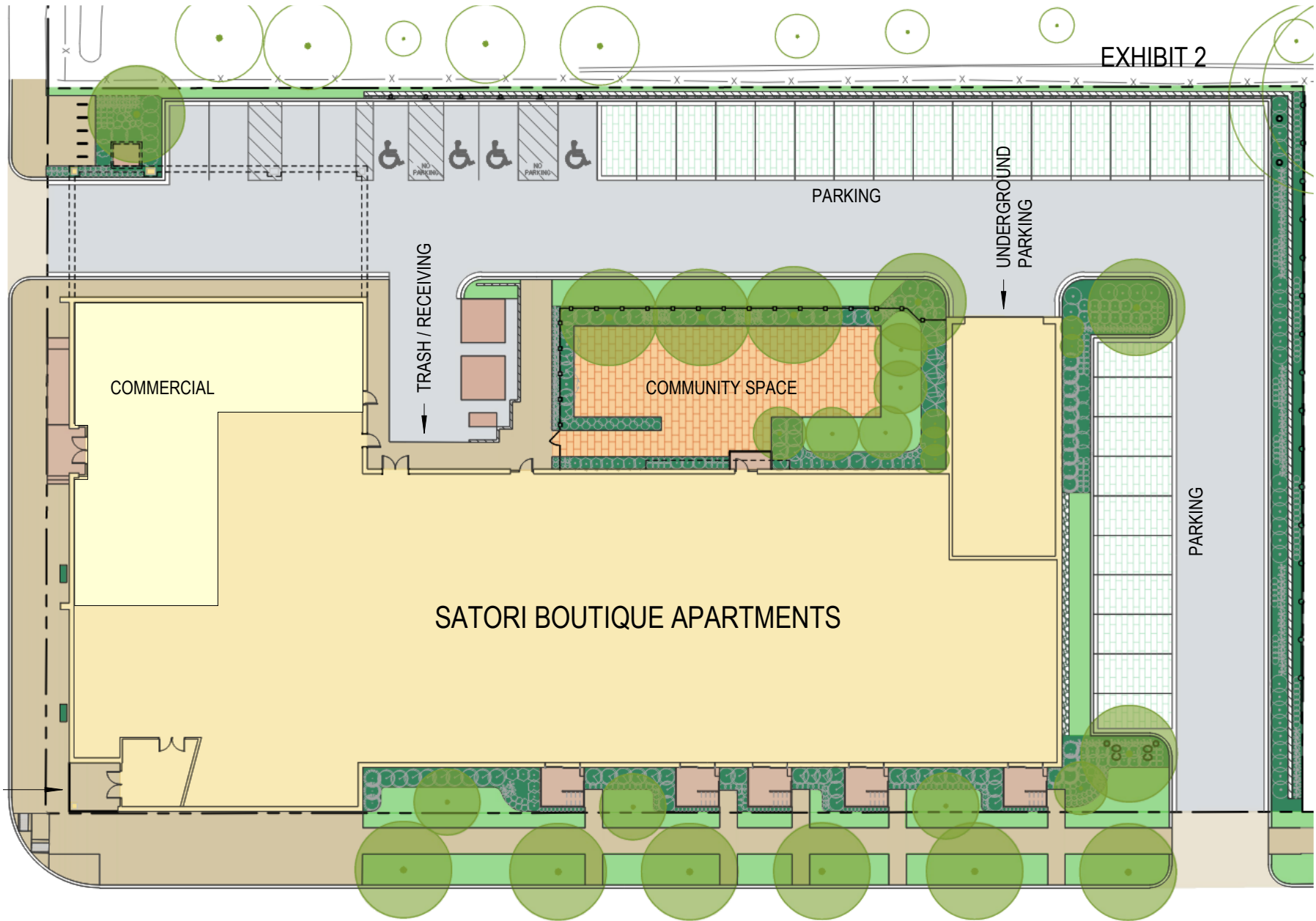




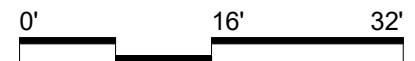
EXHIBIT 2

W. BROADWAY AVE.

ENTRANCE



BRYANT AVE. NORTH



SATORI⁸⁰⁰ SITE PLAN
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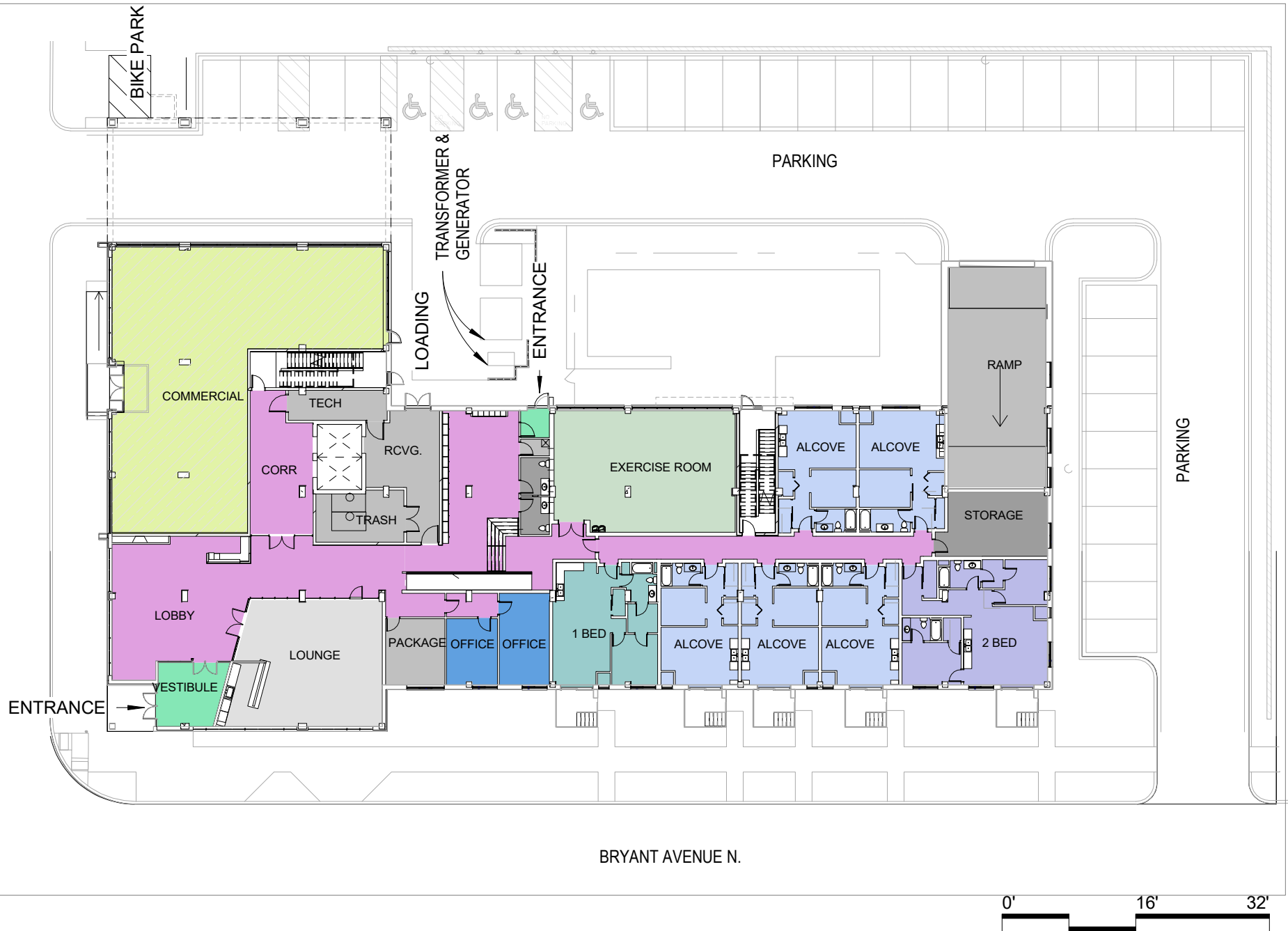
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SATORI⁸⁰⁰
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GROUND FLOOR PLAN

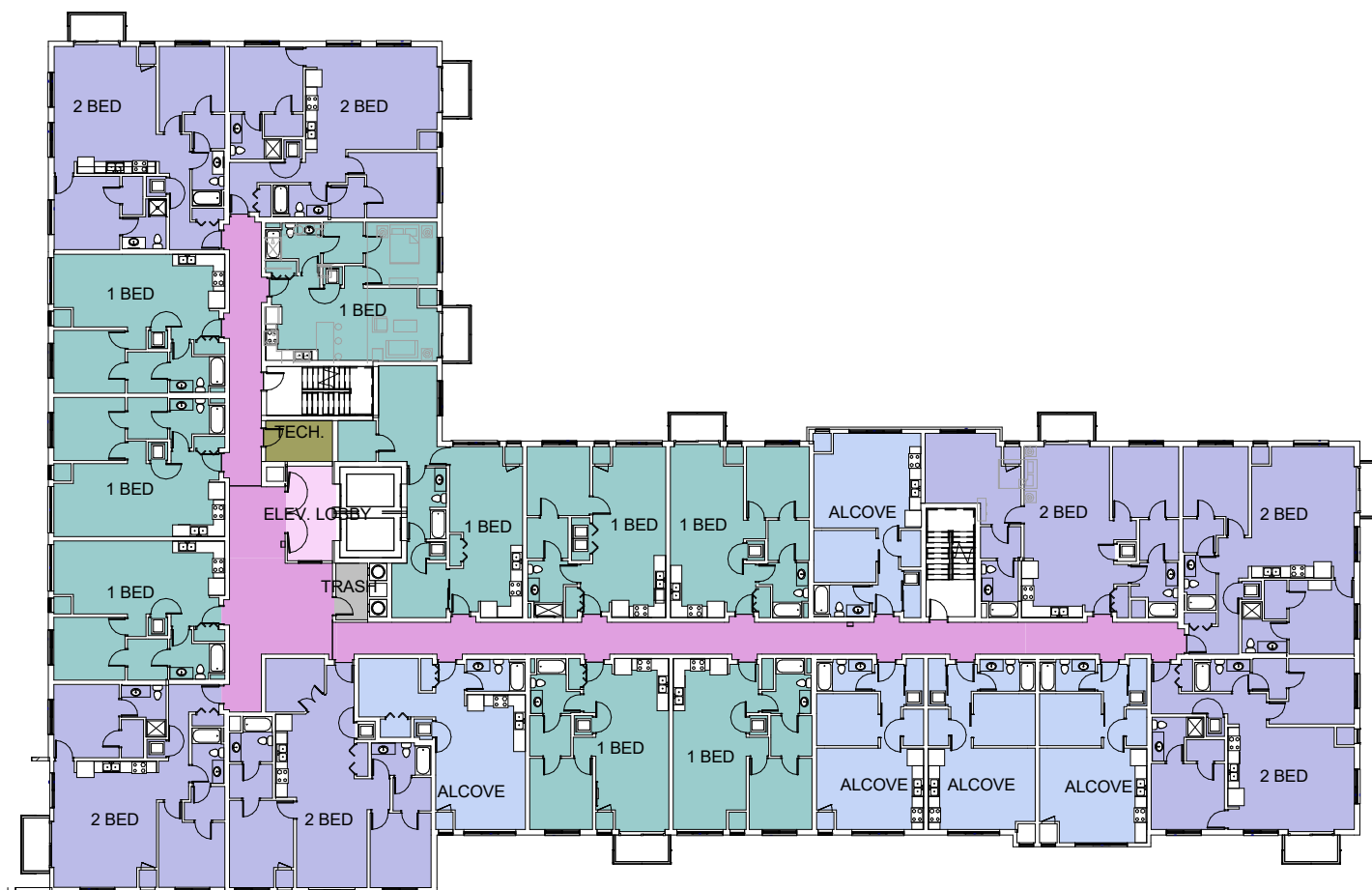
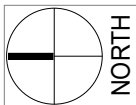
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TYPICAL FLOOR PLAN

Minneapolis, MN

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SATORI⁸⁰⁰ AERIAL VIEW
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Assumptions Schedule

Satori Apartments TIF Plan

Type of Tax Increment Financing District	Housing
Maximum Duration of TIF District	26 Years of Tax Increment Collection
Certification Request Date	06/01/21
Decertification Date	12/31/48 (Years of Increment = 26)

Construction Year =	2020	2021	2022	2023
Assessment Year =	2021	2022	2023	2024
Taxes Payable Year =	2022	2023	2024	2025

Housing Property

EMV Upon Completion		\$20,440,000	\$20,440,000	\$20,440,000
Percent Complete		20%	85%	100%
Total Estimated Market Value (a)	\$1,043,500	\$4,088,000	\$17,374,000	\$20,440,000
Percent of Housing Property - Class 4a	100%	100%	79%	79%
Percent of Housing Property - Class 4d	0%	0%	21%	21%
Class Rate - 4a	1.25%	1.25%	1.25%	1.25%
Class Rate - 4d	0.75%	0.75%	0.75%	0.75%
Net Tax Capacity (NTC)	\$13,044	\$51,100	\$198,932	\$234,038

Commercial/Industrial Property

EMV Upon Completion (b)				\$375,000	\$375,000	\$375,000	
Percent Complete				20%	85%	100%	
Total Estimated Market Value				\$0	\$75,000	\$318,750	\$375,000
Times: First	\$150,000	1.50%	0	1,125	2,250	2,250	
Excess		2.00%	0	0	3,375	4,500	
Net Tax Capacity (NTC)				\$0	\$1,125	\$5,625	\$6,750
Total Net Tax Capacity (NTC)				\$13,044	\$52,225	\$204,557	\$240,788

Assessment Year =	2020	2021	2022	2023	2024
Taxes Payable Year =	2021	2022	2023	2024	2025
Original EMV	\$1,043,500	\$1,043,500	\$1,043,500	\$1,043,500	\$1,043,500
Times: Class Rate	1.25%	1.25%	1.25%	1.25%	1.25%
Original Net Tax Capacity	\$13,044	\$13,044	\$13,044	\$13,044	\$13,044

Pay-As-You-Go Note

Interest Start Date	02/01/22	Total Tax Capacity Rate	115.000%
Annual Interest Rate	3.00%	City Administrative Fee	10.00%

Notes

(a) Future Residential EMV based on \$182,500/unit.

(b) Future Commercial EMV based on approximately 3,000 sq. ft. at \$125/sq. ft.

Projected Tax Increment Schedule

Satori Apartments TIF Plan

Year Ending (1)	Total Net Tax Capacity (2)	<u>Less:</u> Original Net Tax Capacity (3)	<u>Equals:</u> Retained Captured NTC (4)	<u>Times:</u> Total Tax Capacity Rate (5)	<u>Equals:</u> Annual Gross Tax Increment (6)	<u>Less:</u> State Aud. Fee @ 0.36% (7)	<u>Equals:</u> Increment Distributed to City (8)	<u>Less:</u> City Adm. Fee @ 10.00% (9)	<u>Equals:</u> Available Tax Increment (10)
12/31/22	13,044	13,044	0	115.000%	0	0	0	0	0
12/31/23	52,225	13,044	39,181	115.000%	45,058	162	44,896	4,490	40,406
12/31/24	204,557	13,044	191,513	115.000%	220,240	793	219,447	21,945	197,502
12/31/25	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/26	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/27	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/28	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/29	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/30	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/31	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/32	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/33	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/34	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/35	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/36	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/37	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/38	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/39	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/40	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/41	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/42	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/43	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/44	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/45	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/46	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/47	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
12/31/48	240,788	13,044	227,744	115.000%	261,906	943	260,963	26,096	234,867
					\$6,551,042	\$23,587	\$6,527,455	\$652,739	\$5,874,716